

Before the State of South Carolina  
Department of Insurance

In the matter of:	)	
	)	
Catawba Insurance Company,	)	Consent Order
	)	Imposing Administrative Penalty
1501 Lady Street	)	
Columbia, South Carolina 29201.	)	
_____	)	SCDI File Number 2000-101500

This matter comes before me pursuant to an agreement entered into between the South Carolina Department of Insurance and Catawba Insurance Company, an insurer licensed to transact business in South Carolina.


The Department's recent market conduct examination of Catawba revealed that Catawba had accepted some insurance applications from citizens of South Carolina through individuals who either were not licensed as insurance agents in South Carolina or not appointed to transact business for Catawba in this state. These actions as alleged violate S.C. Code Ann. §§ 38-43-40 (Supp. 1999) and 38-43-60 (1989), and can ultimately lead to the revocation of an insurer's certificate of authority, pursuant to South Carolina Code Ann. §§ 38-2-10 and 38-5-120 (A)(2) (Supp. 1999), to transact the business of insurance within the State of South Carolina, following a public hearing.

Rather than contesting these matters, Catawba and the Department, through negotiation and compromise, have agreed to submit the entire matter to me along with their specific recommendations for my summary decision. That consensual recommendation was that, in lieu of further proceedings, Catawba would waive its right to a public hearing and immediately submit to the Department an administrative penalty in the total amount of \$5,000.

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Section 38-43-60 of the South Carolina Code states, in pertinent part, "All business done in this State by insurers doing the business of insurance as defined in this title must be transacted by their regularly authorized agents." Section 38-43-40 states, "A license issued by the director or his designee pursuant to Chapter 5 of this title gives to the insurer obtaining it the right to appoint any number of agents to take risks or transact any business of insurance in the state. However, the director or his designee must be notified of the appointment before the agent takes any risk or transacts any business" as defined in S.C. Code Ann. § 38-43-10 (1989).

After a thorough review of the matter, carefully considering the recommendation of the parties, and pursuant to my findings of fact, I hereby conclude as a matter of law, that Catawba has violated S.C. Code Ann. §§ 38-43-40 and 60 (Supp. 1999).

 Catawba Insurance Company

Accordingly, I hereby impose an administrative penalty in the amount of \$5,000 against the insurer pursuant to the authority provided to me by the South Carolina General Assembly in S.C. Code Ann. §§ 38-5-130 and 38-2-10 (Supp. 1999). Catawba must pay this administrative fine within ten days of my date and signature upon this consent order.

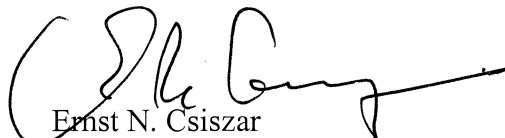
The parties through negotiation and compromise have reached this consent order in consideration of Catawba's assurance that has reviewed its agent licensing and appointment procedures and will ensure its operating controls, policies, and procedures comply with South Carolina law, particularly the requirements of producer licensing. The parties expressly agree and understand Catawba's payment of the agreed-upon penalty constitutes full accord and satisfaction of this matter.

By the signature of one of its officers or authorized representatives upon this consent order, Catawba acknowledges that it understands that this administrative disciplinary order is a public record subject to the disclosure requirements of the State of South Carolina's *Freedom of Information Act*, S.C. Code Ann. §§ 30-4-10, *et seq.* (1991 and Supp. 1999). Nothing contained within this administrative disciplinary order should be construed to limit, or to deprive any person of, any private right of action under the law. Nothing contained within this administrative disciplinary order should be construed to limit, in any manner, the criminal jurisdiction of any law enforcement or judicial officer. Nothing contained within this administrative disciplinary order should be construed to limit the statutory duty, pursuant to S.C. Code Ann. § 38-3-110 (Supp. 1999), of the Director of Insurance, exercised either directly or through the Department, to "report to the Attorney General or other appropriate law enforcement officials criminal violations of the laws relative to the business of insurance or the provisions of this title which he considers necessary to report."


Therefore, it is ordered that Catawba pay through the Department an administrative penalty in the total amount of \$5,000 within ten days of my date and signature upon this consent order.

It is further ordered that a copy of this consent order be immediately transmitted to the National Association of Insurance Commissioners for distribution to its member states.

This consent order becomes effective on the date of my signature below.

  
Ernst N. Csiszar  
Director

April 28, 2000, at  
Columbia, South Carolina

 Catawba Insurance Company

I CONSENT:

Signature of Authorized Representative

A handwritten signature in black ink, appearing to read "Franklin D. Hutchinson", written over a horizontal line.

Franklin D. Hutchinson

Vice President

Product Development and Regulatory Relations

Catawba Insurance Company

1501 Lady Street

Columbia, South Carolina 29201

Dated this 26<sup>th</sup> day of April, 2000